



**TESTIMONY OF
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CONNECTICUT HOSPITAL ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
FRIDAY, FEBRUARY 26, 2016**

HB 5047, An Act Concerning Exemptions Under The Property Tax

Good morning. My name is Carl Schiessl, and I am the Director, Regulatory Advocacy, for the Connecticut Hospital Association (CHA). I am here today to testify in opposition to **HB 5047, An Act Concerning Exemptions Under The Property Tax.**

Before commenting on the bill, it's important to point out that Connecticut hospitals provide core healthcare services to all of the people in Connecticut, 24 hours a day, regardless of ability to pay. Connecticut hospitals offer safe, accessible, equitable, affordable, patient-centered care that protects and improves peoples' lives.

CHA opposes Sections 2 and 3 of HB 5047. While we recognize the need for state and local government as taxing authorities to monitor the activities of both taxable and tax-exempt organizations, we oppose the imposition of a new and onerous filing requirement that is specifically targeted to hospitals. HB 5047 would also create a new and substantial risk to hospitals of losing their tax-exempt status for real and personal property in any assessment year for failing to file a sufficient declaration for any reason, or for failing to sign such declaration.

Hospitals already bear a substantial tax burden in the State of Connecticut. The hospital tax has become the fourth largest source of state tax revenue. According to consensus revenue estimates adopted on January 15, 2016, Connecticut hospitals are estimated to pay \$676.1 million in taxes to the State of Connecticut in fiscal year 2017.

As for local taxes, several hospitals and healthcare systems already pay taxes on non-exempt real and personal property to Connecticut municipalities. Public Act 15-5, June Special Session, imposed a property tax on real property acquired on or after October 1, 2015 by a health system with at least \$1.5 billion in net patient revenue. In addition, several hospitals have entered into voluntary arrangements with their host communities to contribute to the cost of municipal services.

House Bill 5047 would require any hospital claiming an exemption from the property tax to file a personal property declaration and affidavit for each assessment year in every municipality in which such personal property is located. The requirement to file a declaration and affidavit presently applies to the owners of taxable personal property in our state, but has not heretofore been applied to organizations that are not otherwise subject to the property tax.

Under current law, exempt organizations are only required to file a report once every four years, and they are not required to file a complete declaration of personal property with the quadrennial filing. The quadrennial return is two pages long and requires exempt organizations to specify the market values of tangible personal property and to list motor vehicles.

The current declaration form used for taxable entities is eight pages long and lists fifteen categories of personal property, including motor vehicles, machinery and equipment, furniture and fixtures, electronic data processing equipment, average monthly quantity of supplies normally consumed in the course of business, and any other personal property not otherwise mentioned, including leasehold improvements. For hospitals, the declaration is a formidable document that would require several individuals working for a substantial period of time to complete the form sufficiently for every municipality in which a hospital owns personal property.

The most distressing aspect of this new informational filing requirement is that it subjects a hospital to the risk of full taxability of all of its property, both real and personal, if the hospital inadvertently fails to file a declaration, or if the declaration filed includes insufficient information in the opinion of the assessor, or if it is not signed. The bill states that “exemptions claimed pursuant to subdivision (7) or (16) of section 12-81... shall be deemed waived” for any assessment year in which a hospital fails to file the required declaration in a timely manner. The waiver extends to exemptions under those sections and is not expressly limited to personal property.

This means that a hospital may lose its tax-exempt status for a year for all property claimed to be exempt, including personal and real property. Under such a scenario, a hospital would be forced to pay taxes on all of its real and personal property located in said municipality.

To make matters worse, under current law, failure to file timely will result in a penalty equal to 25% of the assessment of the personal property. That means that the penalty imposed on hospitals for failure to file would be to pay taxes on their real property, and on their personal property, but compounded by adding 25% to its assessed value.

The absence of proportionality between the offense committed and the penalty imposed is startling. Moreover, it is contrary to principles of fairness and equity in the administration of taxes and the treatment of organizations such as hospitals. It is excessively harsh and punitive.

Hospitals already contribute a great deal of money in taxes to finance the cost of state and local government. They fortify our economy through the jobs they create and the goods and services they consume, and they keep the people of Connecticut healthy. We implore the Committee to delete this troubling and unfair provision in the bill.

Another distressing and potentially discriminatory aspect of the bill is that it applies only to hospitals claiming an exemption from the property tax. This bill treats hospitals differently from other organizations that are generally exempt from property taxes, such as schools, colleges, charitable organizations, museums, and social and human service organizations. If this measure is intended to enable government to learn more about personal property that is not presently subject to taxation, or to better monitor the activities of exempt organizations, then we question the wisdom and efficacy of limiting this requirement solely to a narrow category of taxpayers, defined in the bill to include any (1) not-for-profit general hospital facility, (2) ambulatory surgical center, (3) freestanding chronic disease hospital, or (4) urgent care facility that operates for at least 12 hours a day.

A fourth area of concern relates to the timing of this informational report. The annual filing date of October 1 established in the bill is not consistent with the required filing date of November 1 for all other entities or taxpayers required to file with the local assessor. It is also not consistent with the date hospitals are required to file their quadrennial reports.

This inconsistency creates a potential trap for a hospital administrator, who could incorrectly assume the hospital had to file any required filing by the standard date of November 1. And as we've already stated, the financial consequences of a failure to file the declaration and affidavit in a timely manner, namely, a waiver of the exemption and payment of real and personal property taxes, would constitute a material adverse financial event for any hospital.

Section 1 of the bill incorporates a recommendation of the State Tax Panel. One may readily assume that the new reporting mechanism set forth in Sections 2 and 3 of the bill was also a recommendation of the panel. But no such recommendation was included in the report of the State Tax Panel. CHA recommends that these sections be deleted from the bill, and that Section 1 stand alone.

Finally, we are aware of no other case of tax exempt property in which the assessors must annually report to OPM, which then reports the information collected to various legislative committees.

We recognize that the state is attempting to address persistent and intensifying fiscal challenges. We ask that you please do not impose a new and onerous administrative burden on hospitals. The state should encourage hospitals to focus on our core mission of improving the individual experience of care, improving the health of populations, and reducing the per capita cost of care. Exposing hospitals to the risk of higher costs through taxation via administrative penalty is contrary to our core mission and is not in the best interest of public health.

Thank you for your consideration of our position. For additional information, contact CHA Government Relations at (203) 294-7310.